

**S.E.C. RULE 15c2-12
ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 1998**

The State of California (the "State"), acting by and through the State Treasurer of the State of California, hereby provides its annual report for the fiscal year ended June 30, 1998 in connection with the following:

Bond Issues

State Public Works Board of the State of California Lease Revenue Bonds (the "Bonds") as listed on the attached Exhibit 1. Also listed on Exhibit 1 are the dates of the Continuing Disclosure Agreements (the "Disclosure Agreements") executed by the State in connection with each issue of the Bonds and the dated dates for each issue.

Note: The base CUSIP numbers provided in Exhibit 1 are for the convenience of Bondholders. The State Treasurer's Office is not responsible for the accuracy or completeness of such numbers.

Annual Report

The State's "annual report" (as defined in the Disclosure Agreements for the Bonds) for the fiscal year ended June 30, 1998 consists of:

1. Financial information (including the audited General Purpose Financial Statements for the State) contained in Appendix A of the Official Statement, dated February 23, 1999, with respect to \$500,000,000 of State of California General Obligation Bonds (\$413,460,000 General Obligation Bonds and \$86,540,000 General Obligation Refunding Bonds) (the "February 23, 1999 Official Statement"), which information is incorporated herein by reference. A copy of the February 23, 1999 Official Statement has previously been filed with each of the Nationally Recognized Municipal Securities Information Repositories and is available from any of them.
2. Information relating to the outstanding debt of the State Public Works Board as set forth in Exhibit 2 attached hereto.
3. Information concerning the status of construction of the Projects financed by the The Regents of the University of California, 1997 Series C, Various University of California Projects bonds as set forth in Exhibit 3 attached hereto.
4. Financial information relating to the The Regents of the University of California for the fiscal year ended June 30, 1998, including the table entitled "University of California Current Funds Expenditures and Resources Utilized," as set forth in Exhibit 4. To access Exhibit 4, visit the following website: <http://www.ucop.edu/ucophome/cao/reports/1998>. The last 5 pages of Exhibit 4 are attached at the end of this document.

5. In addition, as part of this Annual Report, the Board confirms that the insurance required by each of the Facility Leases relating to each issue of Bonds listed on the attached Exhibit 1 is in effect.

Other Matters

This annual report is provided solely for purposes of the Disclosure Agreements. The filing of this report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the State or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as referred to in this report), or that no other information exists, which may have a bearing on the State's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the State.

The information provided herein may relate to bonds or other obligations of the Board in addition to the ones listed above.

Dated: March 15, 1999

State of California

By Barbara Lloyd
 Deputy State Treasurer

Exhibit 1

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
State Public Works Board of the State of California Energy Efficiency Revenue Bonds Series 1998A	11/1/98	11/1/98
State Public Works Board of the State of California Energy Efficiency Refunding Revenue Bonds Series 1998B	11/1/98	11/1/98
State Public Works Board of the State of California Lease Revenue Bonds 1998 Series A (Department of Forestry and Fire Protection Telecommunication Towers and Vaults)	11/1/98	11/17/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Corrections) 1998 Series C (California State Prison-Monterey County (Soledad II))	11/1/98	11/5/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds 1998 Series A (Department of Justice Building)	10/1/98	11/19/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Trustees of the California State University) (Various California State University Projects) 1998 Series C	10/1/98	11/19/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (The Regents of the University of California) (Various University of California Projects) 1998 Series F	10/1/98	11/19/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (The Regents of the University of California) (Various University of California Projects) 1998 Series E	10/1/98	11/19/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) (Various Community College Projects) 1998 Series D	10/1/98	11/19/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) (Various Community College Projects) 1998 Series C	10/1/98	11/19/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds 1998 Series A (Library and Courts Annex Building Complex)	4/1/98	5/7/98

Exhibit 1
-continued-

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
State Public Works Board of the State of California Lease Revenue Refunding Bonds 1998 Series A (Franchise Tax Board Central Office Project - Phase II)	4/1/98	5/7/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (The Regents of the University of California) (Various University of California Projects) 1998 Series D	4/1/98	5/7/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (The Regents of the University of California) (Various University of California Projects) 1998 Series C	4/1/98	5/7/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (The Regents of the University of California) (Various University of California Projects) 1998 Series B	4/1/98	5/7/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (The Regents of the University of California) (Various University of the California Projects) 1998 Series A	4/1/98	5/7/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Trustees of The California State University) (Various California State University Projects) 1998 Series B	4/1/98	5/7/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Trustees of The California State University) (Various California State University Projects) 1998 Series A	4/1/98	5/7/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) (Various Community College Projects) 1998 Series B	4/1/98	5/7/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) (Various Community College Projects) 1998 Series A	4/1/98	5/7/98

Exhibit 1
-continued-

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Corrections) 1998 Series B (California State Prison - Imperial County)	3/1/98	4/15/98
State Public Works Board of the State of California Lease Revenue Bonds (Department of Corrections Emergency Bed Program) 1998 Series A	3/1/98	3/1/98
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Veterans Affairs) 1997 Series A (Southern California Veterans Home - Barstow Facility)	12/1/97	12/10/97
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Corrections) 1997 Series C (California State Prison - Del Norte)	12/1/97	12/10/97
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Corrections) 1997 Series B (California State Prison - Corcoran)	12/1/97	12/10/97
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Corrections) 1997 Series A (California State Prison - Amador County)	12/1/97	12/10/97
State Public Works Board of the State of California Lease Revenue Bonds (The Regents of the University of California) 1997 Series C (Various University of California Projects)	12/1/97	12/10/97
State Public Works Board of the State of California Lease Revenue Bonds 1997 Series A (California Science Center)	12/1/97	12/1/97
State Public Works Board of the State of California Lease Revenue Bonds (Trustees of The California State University) 1997 Series C (Various California State University Projects)	11/1/97	11/13/97
State Public Works Board of the State of California Lease Revenue Bonds (California Community Colleges) 1997 Series A (Various Community College Projects)	4/1/97	4/1/97
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Corrections) 1997 Series D (California State Prisons - Imperial County)	2/1/97	3/18/97

Exhibit 1
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Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
State Public Works Board of the State of California Lease Revenue Refunding Bonds (The Regents of the University of California) (Various University of the California Projects) 1997 Series A	2/1/97	3/18/97
State Public Works Board of the State of California Lease Revenue Refunding Bonds (The Regents of the University of California) (Various University of the California Projects) 1997 Series B	2/1/97	3/18/97
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Trustees of The California State University) (Various California State University Projects) 1997 Series A	2/1/97	3/18/97
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Trustees of The California State University) (Various California State University Projects) 1997 Series B	2/1/97	3/18/97
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Corrections) 1996 Series C (California State Prisons - Imperial County)	11/1/96	11/6/96
State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) 1996 Series D (Various Community College Projects)	10/1/96	11/6/96
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Corrections) 1996 Series D (California State Prisons - Monterey County (Soledad II))	10/1/96	11/6/96
State Public Works Board of the State of California Lease Revenue Refunding Bonds 1996 Series A (Secretary of State and State Archives Building Complex)	10/1/96	11/6/96
State Public Works Board of the State of California Lease Revenue Refunding Bonds (The Trustees of the California State University) 1996 Series A (Various California State University Projects)	9/1/96	10/22/96

Exhibit 1
-continued-

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) 1996 Series C (Various Community College Projects)	9/1/96	10/22/96
State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) 1996 Series B (Various Community College Projects)	9/1/96	10/10/96
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Department of Corrections) 1996 Series B (California State Prison - Monterey County (Soledad II))	9/1/96	10/10/96
State Public Works Board of the State of California Energy Efficiency Revenue Bonds, Series 1996A	9/1/96	9/18/96
State Public Works Board of the State of California Lease Revenue Bonds (Department of Corrections) 1996 Series A (California Substance Abuse Treatment Facility and State Prison at Corcoran (Corcoran II))	4/1/96	5/14/96
State Public Works Board of the State of California Lease Revenue Bonds (California Community Colleges) 1996 Series A (Various Community College Projects)	4/1/96	4/1/96
State Public Works Board of the State of California Energy Efficiency Revenue Refunding Bonds, Series 1995B	9/1/95	9/1/95
State Public Works Board of the State of California Lease Revenue Refunding Bonds (Trustees of The California State University) 1995 Series B (Long Beach and San Luis Obispo Projects)	9/1/95	9/1/95
State Public Works Board of the State of California Lease Revenue Bonds 1995 Series A (Department of Justice Building)	5/1/95	5/1/95
State Public Works Board of the State of California Lease Revenue Bonds (The Trustees of The California State University) 1995 Series A (Various California State University Projects)	4/1/95	5/4/95
State Public Works Board of the State of California Energy Efficiency Revenue Bonds, Series 1995A	4/1/95	4/19/95

Exhibit 1
-continued-

The base CUSIP numbers for the State Public Works Board issues listed above, except for Energy Efficiency Revenue Bonds, are 13068G - _ _ _ and 13068H - _ _ _.

The base CUSIP number for the State Public Works Board of the State of California Energy Efficiency Revenue Bonds is 130677 - _ _ _.

Note: The base CUSIP numbers provided are for the convenience of Bondholders. The State Treasurer's Office is not responsible for the accuracy or completeness of such numbers.

Exhibit 2

1. Information relating to outstanding debt of the Board (see also Appendix A of the Preliminary Official Statement dated March 13, 1998 at pages A-3 to A-14):
 - a) As of February 1, 1999, the Board had unused authorization to issue an additional \$1,594,712,000 of lease revenue bonds. As of that date, the Pooled Money Investment Board had approved interim loans relating to these authorized projects totaling \$177,651,577.
 - b) Following item 2 below is a table showing the total outstanding bonds of the Board secured by the Master Indenture Reserve Fund (Principal Outstanding as of February 1, 1999).
2. Additional information relating to certain issues of bonds covered by this Annual Report:
 - a)

Issue:	California Community Colleges, 1996 Series A California Community Colleges, 1997 Series A.
Project Status:	All equipment has been ordered. Although certain items have not yet been received, the districts are making base rental payments nonetheless.
 - b)

Issue:	Energy Efficiency Revenue Bonds, Series 1995A
Project Status:	All projects completed.

Exhibit 2
-continued-

- c) Issue: Energy Efficiency Revenue Bonds, Series 1996A
- Project Status: 12 energy service projects completed (relating to approximately 80% of par value)
- 1 energy service project to be completed by May 1999 (relating to approximately 2% of par value).
- 2 energy service project to be completed by June, 1999 (relating to approximately 7% of par value).
- 1 energy service project to be completed by August 1999 (relating to approximately 8% of par value).
- 1 energy service project to be completed by December 1999 (relating to approximately 3% of par value).
- Energy service contract payments are being made on all projects.

Exhibit 2 Continued

STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA
LEASE REVENUE BONDS SECURED BY THE
MASTER INDENTURE RESERVE FUND⁽¹⁾
(Principal Outstanding as of February 1, 1999)

California Community Colleges (eight issues) ⁽²⁾	\$ 405,420,000
Department of Corrections (eight issues) ⁽³⁾	1,324,678,548
The Regents of the University of California (seven issues) ⁽⁴⁾	428,800,000
The Trustees of the California State University (six issues) ⁽⁵⁾	336,620,000
DGS Leased Projects (four issues)	<u>110,895,000</u>
Total	<u>\$ 2,606,413,548</u>

(1) As of February 1, 1998 the Reserve Fund Requirement and the Reserve Fund balance under the provisions of the Master Indenture were \$58,963,391.

(2) Includes \$43,840,000 of incorporated bonds

(3) Includes two issues totaling \$472,475,000 of incorporated bonds.

(4) Includes \$168,375,000 of incorporated bonds.

(5) Includes \$43,290,000 of incorporated bonds

SOURCE: State of California, Office of the State Treasurer

Exhibit 3

1. Information concerning the status of construction of the Projects financed by the The Regents of the University of California, 1997 Series C, Various University of California Projects bonds.

a) Project Status: 12 projects completed (relating to approximately 82% of par value)

2 projects to be completed by March, 1999 (relating to approximately 18% of par value)

Project payments are being made as scheduled.

Exhibit 4
- continued -

FINANCIAL INFORMATION

As shown on the following tables, legislative appropriations and other amounts from the State's General Fund accounted for 20.6%, or approximately \$2.4 billion, of the University's total operating budget for the year ended June 30, 1998. Such State funds have been approximately 20% to 21% of the University's revenues during the most recent five fiscal years. Other significant sources of funds for the University include receipts from sales, services, grants and amounts paid under other contracts from the federal government, and student fees and tuition.

The following table shows University of California Current Funds Expenditures and Resources Utilized, Years Ended June 30, 1994 through June 30, 1998.

Exhibit 4
- continued -

UNIVERSITY OF CALIFORNIA
CURRENT FUNDS EXPENDITURES AND RESOURCES UTILIZED
Years Ended June 30, 1994 Through June 30, 1998 (Unaudited)
(dollars in thousands)

	1994	1995	1996	1997	1998
EXPENDITURES					
Instruction	\$1,628,533	\$1,719,757	\$1,820,408	\$1,931,236	2,111,245
Research	1,366,770	1,441,584	1,517,738	1,586,533	1,709,929
Public Service	160,649	170,954	190,868	206,829	198,140
Academic Support	675,773	756,749	820,715	819,294	861,188
Teaching Hospitals	1,633,995	1,647,617	1,865,925	1,958,461	1,854,194
Student Services	221,197	240,553	247,881	257,889	271,004
Institutional Support	387,704	407,361	473,602	442,233	523,579
Operation and Main tenance of Plant	250,836	257,329	276,658	286,833	289,765
Student Financial Aid	341,574	381,844	402,440	422,148	440,536
Auxiliary Enterprises	412,567	440,383	461,030	475,053	474,390
	\$7,079,598	\$7,464,131	\$8,077,265	\$8,386,509	\$8,733,970
Major Department of Energy Laboratories	2,393,325	2,363,543	2,253,663	2,537,056	2,726,809
	\$9,472,923	\$9,827,674	\$10,330,928	\$10,923,565	\$11,460,779
RESOURCES UTILIZED					
State of California:					
Appropriations and other					
general funds	\$1,973,543	\$1,957,022	\$2,129,590	\$2,225,326	\$2,363,244
Contracts	83,824	88,421	94,294	105,040	108,801
United States of America:					
Grants	854,928	908,674	936,718	951,769	1,020,600
Contracts	115,635	128,738	142,500	138,094	141,200
Appropriations	17,829	16,546	19,336	15,881	16,040
Student Fees and Tuition	703,928	821,335	821,274	857,112	894,442
Sales and Services:					
Teaching Hospitals	1,577,936	1,609,225	1,818,182	1,908,276	1,820,062
Educational Activities	598,050	632,323	700,508	702,217	772,376
Auxiliary Enterprises	404,282	432,043	452,147	468,986	461,216
Private Gifts, Grants, and Contracts	345,038	391,055	417,998	465,061	516,119
Endowments	127,064	130,828	144,092	157,878	179,938
Local Government	76,596	92,095	98,437	101,018	99,765
Other Sources	200,945	255,826	302,189	289,851	340,167
	\$7,079,598	\$7,464,131	\$8,077,265	\$8,386,509	\$8,733,970
Major Department of Energy Laboratories	2,393,325	2,363,543	2,253,663	2,537,056	2,726,809
	\$9,472,923	\$9,827,674	\$10,330,928	\$10,923,565	\$11,460,779

Exhibit 4
- continued -

UNIVERSITY OF CALIFORNIA
CURRENT FUNDS EXPENDITURES AND RESOURCES UTILIZED
Years Ended June 30, 1994 Through June 30, 1998 (Unaudited)
(continued)

	1994	1995	1996	1997	1998
EXPENDITURES					
Instruction	17.2%	17.5%	17.6%	17.7%	18.5
Research	14.4	14.7	14.7	14.5	14.9
Public Service	1.7	1.7	1.8	1.9	1.7
Academic Support	7.1	7.7	7.9	7.5	7.5
Teaching Hospitals	17.3	16.8	18.1	17.9	16.2
Student Services	2.3	2.4	2.4	2.4	2.4
Institutional Support	4.1	4.1	4.6	4.1	4.6
Operation and Main tenance of Plant	2.6	2.6	2.7	2.6	2.5
Student Financial Aid	3.6	3.9	3.9	3.9	3.8
Auxiliary Enterprises	4.4	4.5		4.3	4.1
	74.7%	75.9%	78.2%	76.8%	76.2
Major Department of Energy Laboratories	25.3	24.1	21.8	23.2	23.8
	100.0%	100.0%	100.0%	100.0%	100.0
RESOURCES UTILIZED					
State of California:					
Appropriations and other general funds	20.8%	19.9%	20.6%	20.4%	20.6
Contracts	0.9	0.9	0.9	1.0	0.9
United States of America:					
Grants	9.0	9.2	9.1	8.7	8.9
Contracts	1.2	1.3	1.4	1.3	1.2
Appropriations	0.2	0.2	0.2	0.1	0.1
Student Fees and Tuition	7.4	8.4	7.9	7.8	7.8
Sales and Services:					
Teaching Hospitals	16.7	16.4	17.6	17.5	15.9
Educational Activities	6.3	6.4	6.8	6.4	6.7
Auxiliary Enterprises	4.3	4.4	4.4	4.3	4.0
Private Gifts, Grants, and Contracts	3.7	4.0	4.0	4.3	4.5
Endowments	1.3	1.3	1.4	1.4	1.6
Local Government	0.8	0.9	1.0	0.9	0.9
Other Sources	2.1	2.6	2.9	2.7	3.0
	74.7%	75.9%	78.2%	76.8%	76.2
Major Department of Energy Laboratories	25.3	24.1	21.8	23.2	23.8
	100.0%	100.0%	100.0%	100.0%	100.0

INDEBTEDNESS OF THE REGENTS

The Regents has outstanding various revenue bonds and other obligations, as listed below, maturing from 1999 through 2028. These special obligations are secured by and payable from revenues of the facilities financed, investment income, student fees and rental payments. In October 1996, The Regents established its commercial paper program in an amount not to exceed \$550 million outstanding. As of December 1, 1998, all \$550 million of commercial paper was issued and outstanding. In addition, The Regents had outstanding loans and private placements with various financial institutions of approximately \$175 million as of December 1,

The following table lists the outstanding public indebtedness of The Regents as of December 1, 1998.

Exhibit 4
- continued -

OBLIGATIONS ISSUED AND OUTSTANDING
as of December 1, 1998 (dollars in thousands)

	Amount Issued	Amount Outstanding
University of California Housing System	\$255,175	\$221,375
Irvine Parking System, Series A	14,875	255
Davis Memorial Union	2,600	1,050
Telephone and Telecommunications Systems		
1987 Refunding Certificates of Participation	40,430	3,305
Multiple Purpose Projects		
1989 Series: Revenue Bonds Series B	186,000	2,885
Refunding Revenue Bonds Series C	474,445	452,340
1991 Series: Refunding Revenue Bonds Series A	359,035	40,985
Refunding Revenue Bonds Series B	170,705	160,855
Refunding Revenue Bonds Series C	300,525	294,615
Revenue Bonds Series D	307,525	20,590
Refunding Revenue Bonds Series E	283,930	283,880
Revenue Bonds Series F	298,660	298,660
Revenue Bonds Series G	64,115	64,115
Hospital Revenue Bonds		
UCLA Medical Center, Series 1994, Refunding Revenue Bonds	136,530	122,320
UC Davis Medical Center, Series 1996	345,880	345,880
Faculty Mortgage Revenue Bonds		
Series 1979	25,000	6,575
Series 1987	21,750	4,605
UCLA Central Chiller/Cogeneration Facility		
1991 Certificates of Participation	188,000	3,315
1993 Refunding Certificates of Participation	186,765	183,960
Research Facilities Revenue Bonds		
1993 Series A	39,865	38,145
1995 Series B	103,680	9,510
1998 Refunding Series C	89,015	89,015
1998 Series D	49,110	49,110
Commercial Paper		
Series A	430,000	430,000
Series B	120,000	120,000
Total	<u>\$4,493,615</u>	<u>\$3,247,345</u>